



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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Grassley Serves Up Family, Small Business Tax Relief

WASHINGTON – Sen. Chuck Grassley, chairman of the Committee on Finance, was the lead Senate architect of a \$350 billion tax relief package – including new tax relief for families, small businesses, and individual investors – given final congressional approval today. The tax relief legislation, designed to jumpstart the economy, next will go to the President, who is expected to sign the measure into law.

“This tax relief will help create jobs,” Grassley said. “And by creating jobs, it’ll make people feel better about the economy. It’s worth every penny. Whenever we have economic anxiety, Congress has to do everything it can to ease that anxiety.”

Under the tax relief bill, Grassley said, tax relief will benefit families across the board. Enactment will deliver new rebate checks of up to \$400 per child to many families as early as this summer. Other reductions will go to married couples, individuals, most workers, people who sell property, small businesses, and individual stockholders who receive dividends. Grassley described the following examples:

Example 1: A married couple with one child and income of \$40,000 will see their taxes decline under the tax relief package by \$732 (from \$2,235 to \$1,503) in 2003, a decline of 33 percent.

Example 2: A married couple with two children and income of \$40,000 will see their taxes decline by \$1,133 (from \$1,178 to \$45) in 2003, a decline of 96 percent.

Example 3: A married couple with two children and income of \$60,000 will see their taxes decline by \$900 (from \$3,750 to \$2,850) in 2003, a decline of 24 percent.

Example 4: A married couple with two children and income of \$75,000 will see their taxes decline by \$1,122 (from \$5,817 to \$4,695) in 2003, a decline of 19 percent.

Example 5: A married couple, both age 65, with income of \$40,000 (of which \$2,000 is dividends and \$15,000 is Social Security benefits) will see their taxes decline by \$255 (from \$930 to \$675) in 2003, a decline of 27 percent.

Example 6: A married couple, both age 65, with income of \$80,000 (of which \$4,500 is dividends and \$20,000 is Social Security benefits) will see their taxes decline by \$1,677 (from \$9,107 to \$7,430) in 2003, a decline of 18 percent.

Grassley said highlights include:

- ▶ **Checks for families.** The legislation accelerates the child tax credit from \$600 to \$1,000 per child effective in 2003 and 2004. That means this year, a typical family with one child will receive an extra check for \$400. A typical family with two children will receive an extra check for \$800.

For 2003, the increased amount of the child tax credit will be paid in advance to taxpayers who claimed a child tax credit on their 2002 tax return. Approximately 25 million families will receive checks totaling \$14 billion. Advance payment checks will be sent out beginning in mid-July over a period of three weeks.

- ▶ **Broad individual tax relief.** Almost half the bill's cost was devoted to accelerating income tax reductions enacted in the tax cut of 2001 – a bill Grassley authored as Finance Committee chairman. Workers' paychecks will be fatter after July 1 as companies reduce the amount of tax withheld to reflect reduced income tax rates.

Many married couples will see their standard deduction and their 15 percent tax bracket grow – this is because the bill reduces the “marriage penalty.” More taxpayers will avoid paying the alternative minimum tax, which was designed to prevent upper income people from paying their fair share of taxes but increasingly is hitting middle-income taxpayers.

- ▶ **Incentives for business growth.** Small businesses can recoup some of their purchases immediately, and deduct expenses worth up to \$100,000 until 2005, four times the amount now allowed. According to Treasury statistics, small businesses receive 80 percent of the benefits of reducing the 38.6 percent income tax rate to 35 percent. It means small businesses no longer will face a tax penalty of 10 percent, paying more than Fortune 500 companies.

This is important, Grassley said, because small businesses create most jobs. Other companies can write off half their investments this year – another important element toward promoting job creation by encouraging businesses to buy new equipment and expand their operations, Grassley said.

In Iowa, at least 932,000 taxpayers – including those filing on behalf of their families – will benefit from the tax relief package Grassley authored. 275,000 families will benefit from the speeded up increase in the child credit. In Nebraska, at least 551,000 taxpayers – including those filing on behalf of their families – will benefit from the tax relief package. 160,000 families will benefit from the speeded up increase in the child credit.